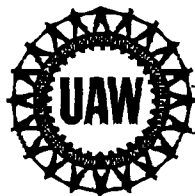


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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA - UAW

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March 2, 2004

IN REPLY REFER TO
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National Highway Traffic
Safety Administration
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: Nissan Petition for Exemption
from Two-Fleet Rule
Docket # NHTSA2003-17015-3

Dear Sir/Madam:

Enclosed please find comments submitted by the International Union, UAW in opposition to the petition filed by Nissan seeking an exemption from the two-fleet rule affecting compliance with passenger car fuel economy standards (docket # NHTSA2003-17015).

Sincerely,

Alan Reuther
Legislative Director

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Opeiu494
C7558

**Response of International Union, UAW
to Nissan Petition for Exemption from
Two-Fleet Rule**

DEPT. OF TRANSPORTATION
DOCKETS

2004 MAR -2 P 12: 45

before the

**National Highway Traffic Safety Administration (NHTSA),
Department of Transportation**

Docket # NHTSA2003-17015

March 2, 2004

This statement is filed by the International Union, United Automobile, Aerospace & Agricultural Implement Workers Union (UAW) in response to the petition filed by Nissan North America, Inc. (Nissan) with the National Highway Traffic Safety Administration (NHTSA) seeking exemption from the two-fleet rule affecting compliance with the passenger car fuel economy standard (**Docket # NHTSA2003-17015**). The UAW strongly opposes this petition, and urges NHTSA to reject it and refuse to grant Nissan an exemption from the two-fleet rule.

Nissan requests the exemption from the two-fleet rule on the grounds that its foreign auto fleet will fail to meet the CAFE standards, and Nissan will be hit with fines, because under NAFTA its Mexican assembled Sentras will be reclassified as domestic beginning in MY 2005. However, the reclassification of Mexican assembled vehicles is not some newly enacted requirement. This was part of NAFTA when it was enacted ten years ago. It was well known by all automakers, including Nissan. All of the auto manufacturers, including Nissan, have had ten years to prepare for this change in the classification of Mexican assembled vehicles. All of the other auto companies pursued sourcing policies that took account of this long planned change for CAFE compliance purposes. Nissan could easily have done the same. Accordingly, it should not be allowed at this late date to complain about the implications of this change, and to request a special exemption for itself.

This is particularly true because Nissan still has a sourcing option that would enable it to meet the CAFE standards, without any special exemption. **This sourcing option would substantially increase auto employment in the U.S.** Specifically, Nissan could shift production of the 350ZX and the Infiniti line to the U.S. By shifting production of these imported cars to Smyrna, Nissan could meet the CAFE standards and substantially increase auto employment in the U.S. Compared to this sourcing option, granting Nissan's petition for an exemption from the two-fleet rule would result in less compliance with the CAFE standards and substantially less auto employment in the U.S.

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In addition, granting Nissan's petition for an exemption from the two-fleet rule would give Nissan a distinct competitive advantage over the other automakers. In effect, Nissan is seeking to avoid costs associated with its own choices about production locations and the CAFE implications of those choices, whereas other auto companies will still have to incur those costs. This competitive differential will inevitably result in an increase in Nissan's sales, and a decrease in the sales by the other auto companies. **Regardless of whether the sales are lost by other Japanese-based companies or by Detroit-based automakers, the lost sales will be in brands that have higher levels of domestic content than Nissan's vehicles. Thus, the competitive advantage and sales shift to Nissan will inevitably result in lower domestic content and a decrease in overall U.S. auto employment.**

Nissan tries to wiggle out of this reality by arguing that any lost sales will come at the expense of other imports. But the models sold by Honda and Toyota both have higher domestic content than those sold by Nissan. So there still will be a decline in domestic content, and a decrease in U.S. auto employment, even if this "import buyer" sales theory is accepted.

In addition, the UAW submits that Detroit-based producers are also likely to suffer lost sales if Nissan is given this competitive advantage. Recent evidence from J.D. Powers and Consumer Reports suggests that the Detroit-based producers are in a position to challenge Japanese-based producers on actual and perceived quality and to gain market share in the car segments. Indeed, Detroit-based producers have both quality and price advantages over Japanese-based producers in certain segments, having made substantial improvements on both of these scores in recent years. Furthermore, Detroit-based producers are in the midst of revamping their care lineups, which they hope will lead to an increase in their market share for cars. Clearly, the cars built by Detroit-based producers have substantially higher domestic content than do cars built by Nissan. Thus, any shift in sales from the Detroit-based producers to Nissan would also result in a lower overall domestic content and a decrease in U.S. auto employment.

In its petition, Nissan claims that it will suffer a competitive disadvantage if it is not granted the exemption from the two-fleet rule. But competitiveness is by definition a zero sum game. Thus, this amounts to an admission by Nissan that granting the exemption will put the other automakers at a competitive disadvantage. Since the other automakers - both Japan and Detroit-based - are producing vehicles with higher domestic content, it is apparent that granting the exemption and giving Nissan the competitive advantage will result in lower sales of vehicles with higher domestic content, and hence will result in lower overall auto employment in the U.S.

For the foregoing reasons, the UAW submits that NHTSA should reject Nissan's petition for exemption from the two-fleet rule affecting compliance with the passenger car fuel economy standards. Nissan has other sourcing options that would keep it in compliance with the CAFE standards, and would result in higher auto employment in the U.S. Furthermore, granting the exemption would give Nissan an unfair competitive advantage that would inevitably result in decreased sales of cars with higher domestic content, and thereby result in decreased auto employment in the U.S.

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